



# DAVID PATTINSON CHARTERED ACCOUNTANTS

December 2023



## QUARTERLY NEWSLETTER

### Xmas and New Year Holidays

My office will close at midday on Thursday, 21 December and re-open at 9:00 a.m. on Tuesday, 2 January.

### Autumn Statement

Traditionally, the chancellor's autumn statement was concerned only with government spending plans for the financial year starting in the following April, with tax changes not being announced until March. Then for a while the budget was brought forward to November and combined with the autumn statement. The budget was changed back to March a few years ago, but we have come to expect some tax changes in the autumn statement as well.

Jeremy Hunt's statement last month followed this new pattern and this newsletter includes details of the changes which are most relevant to individuals and small businesses.

### National Insurance

The most significant announcement (and vote-grabber for a spring election?) was the reduction in National Insurance. This gives us the fourth set of rates in two years, when it used to be taken for granted that rates would be set for each tax year and would not change. Suppliers of payroll software must be particularly annoyed at having to amend their programs yet again.

1. Employees' National Insurance is reduced on 6 January 2024 from 12% to 10% on earnings between £242 and £967 a week. Employers' contributions are unchanged at 13.8% of earnings between £175 and £967 a week.
2. From 6 April 2024, self-employed people with earnings over £12,570 will no longer have to pay Class 2 NI (the weekly "stamp") but will be given a credit, as those with earnings between £6,725 and £12,570 already are. Class 2 NI will then remain only for those earning less than £6,725, who can pay voluntarily to preserve entitlement to benefits, including the state pension.

3. Also from 6 April 2024, Class 4 NI for self-employed people, payable on profits between £12,750 and £50,270, is reduced from 9% to 8%.
4. Businesses employing a veteran do not have to pay Employer's National Insurance for the first year. That relief is temporary and was due to be withdrawn in April 2024, but will be extended for another year.

In contrast to the reduction in rates, the point at which someone starts to pay NI (£242 a week or £12,570 a year) is expected to be frozen until April 2028, so people will pay more as earnings increase.

Finally, a reminder that National Insurance is paid only by people between the ages of 16 and state pension age (currently 66).

### Training Costs

HMRC guidance will be amended to make clear that costs of training to update skills, or keep pace with technological advances or industry practices, are allowable expenses for a business.

### Excise Duties

1. Alcohol duty will be frozen until 1 August 2024.
2. Tobacco duty is increased immediately by 2% above inflation, with an extra 10% increase for hand-rolling tobacco.
3. Road tax will increase in line with inflation in April 2024.
4. Air Passenger Duty will increase in line with inflation in April 2024.

### Tax Avoidance and Fraud

It will become a criminal offence for anyone to continue to promote a tax avoidance scheme after receiving a Stop Notice relating to it. HMRC will also be able to instigate action to disqualify directors of companies involved in promoting tax avoidance schemes, so that they can no longer be a director of any company.

Also, the maximum sentence for the worst kinds of tax fraud will be increased from 7 to 14 years.

## Cash Basis

**HMRC** seems determined to make the cash basis the norm for the calculation of profits from self-employment. The cash basis includes only amounts received and paid in the year, with no adjustment for stock, debtors and creditors at the beginning and end of the year. While it simplifies things for people preparing their own tax returns, it is not liked by accountants like me, because it does not necessarily show a "true and fair" view of results for the year.

---

## National Minimum Wage

Hourly rates will increase on 1 April 2024:

	Old £	New £
Living wage (23 and over)	10.42	11.44
Minimum wage (21 to 22)	10.18	11.44
18 - 20	7.49	8.60
16 - 17	5.28	6.40
Apprentice (under 19 or in first year)	5.28	6.40

---

## EIS and VCT

**The** Enterprise Investment Scheme and Venture Capital Trust tax reliefs will be extended for a further ten years from their planned expiry date of April 2025. These schemes give generous tax relief for potentially risky investments in start-up companies.

---

## ISAs

**From** 6 April 2025, individuals, will be able to subscribe to multiple Individual Savings Accounts of the same type (cash or stocks and shares). They will also be able to partially transfer funds between accounts from different providers.

---

## Taxi Firms

**Taxi** businesses are usually organised so that the drivers are self-employed and keep the fares collected, then pay a proportion to the taxi firm as vehicle rental. In that way, the taxi firm can stay below the VAT threshold, because its income is just the vehicle rental, not the full fares. Uber operates in a similar manner, splitting the fare with the driver and accounting for VAT only on its own share.

In 2021, Uber lost a case in the Supreme Court, which decided that it should account for VAT on the full fare, so the company then brought a case of its own to confirm that the same principle should apply to other taxi operators. The government is now going to open a consultation to consider whether the law needs to be changed to clarify the VAT position, presumably to formalise the previous practice.

## Married Women's NI

**Up** until April 1977, a married woman could make an election to pay a reduced rate of National Insurance, but with a lower benefit entitlement. She could continue to pay the reduced rate until she either divorced or had two years in a row of low earnings.

Any woman who was still entitled to pay the reduced rate at the start of this year in April 2023 must have been no older than 20 in April 1977 and has not divorced her husband at that time or had much time off work. Surprisingly, there must be some women who still qualify, as that reduced rate is still in the NI tables.

---

## Pension Funds

**Money** invested in a private pension has to be converted by age 75 into an annuity (a regular monthly pension) or a drawdown pension (withdrawals as needed). If someone dies before age 75 and still has unconverted pension policies, those funds form part of the estate for Inheritance Tax. Proposals announced in March would have made those funds also liable to Income Tax, but that change has now been scrapped.

---

## Van Benefits

**The** benefit-in-kind for vans provided to employees will remain the same for 2024/25. It is actually easy to avoid the benefit charge, by specifying that the employee can use the van for home to work travel only.

---

## Self-Assessment Criteria

**For** many years, anyone with an income of £100,000 or more has been required to file a self-assessment tax return. That threshold was increased to £150,000 in 2023/24 and will be abolished altogether in 2024/25. The main criteria for filing a return will then be:

1. Self employment income over £1,000.
2. Untaxed income (such as rent) of £2,500 or more.
3. Claims for employment expenses of £2,500 or more.
4. Savings or investment income of £10,000.

---

## Pass it on

**Please** feel free to copy or pass on this newsletter to friends and business acquaintances. Anyone who would like to be added to the mailing list should e-mail me at the address below.